

April 8, 1997

Office of the Comptroller  
of the Currency,  
Western District  
50 Fremont Street, Suite 3900  
San Francisco, California 94105

Attn: Ellen Shepherd, Acting Licensing Manager

Ladies and Gentlemen:

Zions First National Bank ("Zions") hereby applies pursuant to 12 C.F.R. Section 5.34 for approval for its operating subsidiary, Zions Investment Securities, Inc. (the "Company"), to commence certain new activities. The Company was formed as an operating subsidiary pursuant to authority granted in a letter from the Office of the Comptroller of the Currency (the "Comptroller") dated July 10, 1991.

In accordance with the requirements of 12 C.F.R. Section 5.34(e)(1), Zions hereby submits the following information:

- (1) A complete description of Zions' investment in the Company.

Zions's equity investment in the Company is approximately \$1,237,000, consisting of \$100,000 in paid-in capital and \$1,137,000 in retained earnings. Although Zions has no current plan to invest additional sums in the Company, Zions intends to review routinely the capital needs of its subsidiary, especially in light of the Company's proposed new activities, and to consider the possibility of additional capital infusions as appropriate. Any such additional capital infusions would be made only after consideration of the impact on Zions' capital ratios of the deductions required by 12 C.F.R. Section 5.34(f)(3).

(2) The proposed new activities of the Company.

The Company proposes to engage in underwriting, dealing in and investing in securities of states and political subdivisions thereof. These securities would include: (i) obligations presently defined by the Comptroller as general obligations of states and political subdivisions and (ii) other obligations of states and political subdivisions thereof which do not qualify under the Comptroller's current definitions as general obligations ("Revenue Bonds").

The Company currently engages in providing brokerage and investment advisory services with respect to corporate equity securities, U.S. government securities, annuities and other securities and investment products. In all instances other than transactions in mutual funds and annuities, the Company acts as introducing broker and clears through the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"). The Company does not currently underwrite or deal in any securities.

(3) The organizational structure and management of the Company.

The Company is a wholly owned, direct subsidiary of Zions. It is registered as a broker-dealer with the Securities and Exchange Commission.

Currently, the management of the Company consists of four individuals who supervise the Company's brokerage activities. Each of these individuals has substantial experience in the securities brokerage and trading businesses.

*[See the Confidential Annex to this Application for the remainder of Applicant's response to this item.]*

(4) The relations between Zions and the Company.

The Company is a wholly owned, direct subsidiary of Zions. Several members of the Company's Board of Directors are members of senior management of Zions, Zions Bancorporation (Zions' parent holding company) and/or other affiliated banks of Zions. These directors include Zions Bancorporation's President and Chief Executive Officer, several Executive Vice Presidents of Zions and the Chairman and Chief Executive Officer of National Bank of Arizona, an affiliated bank of Zions.

As mentioned above, the Company currently engages in providing brokerage and investment advisory services with respect to corporate equity securities, U.S. government securities, annuities and other securities and investment products and, for the most part, clears through the Pershing Division of DLJ. In connection with such activities, the Company employs 34 individuals who broker such products to a retail clientele. Each of those individuals is registered with the NASD as a General Securities Representative, which designation indicates that they have passed an NASD examination and are engaged in the investment banking or securities business, including the solicitation or conduct of business in securities. Zions, on the other hand, underwrites, deals in and invests in general obligation securities, and Zions' sales force markets such products to an institutional clientele.

Assuming the proposed new activities are approved by the Comptroller, it is expected that Zions will continue to underwrite, deal in and trade in general obligation securities, while the Company will conduct similar activities with respect to Revenue Bonds. Naturally, Zions and the Company expect there to be an institutional demand for the Revenue Bonds underwritten by the Company. With

that in mind, it is expected that Zions will broker and provide investment advice regarding such securities to its institutional clients, in all cases acting as agent on behalf of its institutional customers. In all instances, Zions' sales representatives will fully disclose that Zions is acting only as agent and that the securities are underwritten by the Company, not Zions. In addition, all confirmations of sales sent to customers of Zions and any marketing material provided by Zions will fully disclose that Zions acts solely as agent and that the Company is the underwriter of (or dealer in, as the case may be) the securities.

Finally, the Company will clear all transactions in municipal securities through Zions. As mentioned above, except with respect to mutual funds and annuities, the Company currently clears its transactions through the Pershing division of DLJ. Zions and the Company believe that the costs associated with the start-up and maintenance of back office operations necessary for the Company to clear transactions in municipal securities make the initiation of such operations impractical and unrealistic. Moreover, given that many of the purchasers of the securities to be underwritten or dealt in by the Company are currently clients of Zions, Zions is the most logical choice to act as clearing agent for the Company. In all instances in which Zions' acting as clearing agent for the Company will require contact with the public, including the sending of confirmations as mentioned above, Zions will fully disclose that it acts solely as clearing agent and that the Company is the underwriter of (or dealer in, as the case may be) the securities.

- (5) Whether Zions intends to conduct any activity of the Company at a location other than its main office or a previously approved branch.

At the present time, the Company conducts its business from offices located in buildings in which Zions maintains its main office or a branch. The Company may, in the future, however, establish offices at other locations. The Company will not, however, take deposits, make loans (other than margin loans) or pay checks.

- (6) Other information.

Zions proposes that the Company engage, as principal, in an activity different from that permissible for a parent national bank but that is part of or incidental to the business of banking. Zions submits the enclosed Memorandum in Support of the Application (the "Memorandum"), which addresses a number of legal and other issues.

Zions commits to comply with the requirements of 12 C.F.R. Section 5.34(f)(2) and (3). The Memorandum contains information demonstrating that Zions will remain well capitalized after making the deductions required by 12 C.F.R. Section 5.34(f)(3). Zions meets the requirements of an "eligible bank" under 12 C.F.R. Section 5.3(g).

Please direct any questions regarding this Application to Donald J. Toumey at (212-558-4077), Patrick S. Brown at (213-955-8025) or Stanley F. Farrar at (213-955-8023), each of Sullivan & Cromwell.

Very truly yours,

ZIONS FIRST NATIONAL BANK

By: /s/ W. David Hemingway  
Name: W. David Hemingway  
Title: Executive Vice President